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AUG 25 1982

Dear Applicant:

We have completed our review of the application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code which you recently filed.

The evidence submitted indicates that you were formed [REDACTED] for the purpose of operating as a church in [REDACTED].

Your primary activities include conducting religious worship services and bible classes at various locations throughout the City of [REDACTED] and in suburban [REDACTED]. The primary place of your activities, however, is also the personal residence of your founder and creator, [REDACTED].

Your minister, [REDACTED], prepared for his role as pastor by studying at [REDACTED], [REDACTED], and [REDACTED].

You also presented a credential from the [REDACTED] in [REDACTED] stating that you were ordained as a minister by that organization [REDACTED].

Income to your organization comes primarily from donations from your members. Expenses to date have been primarily for administrative expenses.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable and educational purposes.

Income tax regulations section 1.501(c)(3)-(1)(A)(1) provides that, to be exempt, an organization described in section 501(c)(3) must be both organized and operated exclusively for one or more of the purposes described in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Regulations section 1.501(c)(3)-1(b)(1) specifies that an organization is organized exclusively for one or more exempt purposes only if its Articles of Incorporation limit the purposes of such organization to one or more exempt purposes.

Regulations section 1.501(c)(3)-1(b)(4) specifies that an organization is not organized for one or more exempt purposes unless its assets are dedicated to an exempt purpose.

Regulations section 1.501(c)(3)-1(c)(1) stipulates that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish any or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Regulations section 1.501(c)(3)-1(d)(1)(i) specifies that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves public rather than private interests.

To qualify for exemption under section 501(c)(3), the applicant has the burden of showing (1) that it was organized and operated exclusively for religious or charitable purposes, (2) that no part of its earnings inured to the benefit of a private individual or shareholder, and (3) that no substantial part of its activities consisted of the dissemination of propaganda or otherwise attempting to influence legislation or engaging in political activity.

To qualify for recognition as a church within the meaning of section 170(b)(1)(A)(i) of the Code, an organization must, at a minimum, establish that it has a body of believers or communicants that assembles regularly in order to worship and that it is reasonably available to the public in its conduct of worship and educational instruction and promulgation of its doctrine.

The United States Tax Court has issued the following additional guidelines on whether an organization will qualify for exemption under section 501(c)(3) and as a church as described in section 509(a)(2) and 170(b)(1)(A)(i) of the Code.

In *Truth Tabernacle, TC Memo 1991-214*, the Court stated that a church organization did not meet the requirements for re-exemption under section 501(c)(3). The record showed that the organization did not maintain formal accounting records of its expenditures or contributions and did not have documentation on the use of its funds. Therefore, the Court concluded that there was insufficient information to determine whether the organization was operated exclusively for any exempt purpose and denied exemption to the organization. See also *Church of the Transfiguring Spirit v. Commissioner, TC 1 (1991)* and *Southern Church of Brotherhood v. Commissioner, 74 TC 196 (1979)*.

In *Brown v. Commissioner*, TC Memo 1980-559, the applicant organization obtained a charter to form a church from the Universal Life Church. These credentials also certified that Mr. Brown had been ordained as a minister by this church. In this case, the Court ruled that the credentials issued to Mr. Brown by the Universal Life Church did not entitle him to status as a minister or the church formed by Mr. Brown to exemption as a church. This determination was based on the premise that the ruling issued by the Service to the Universal Life Church in *Wadsworth* applied only to the parent church and not to any other churches formed at a later date.

Based on the evidence presented to us concerning [REDACTED] we have determined that you are not entitled to exemption under section 501(c)(3) because you are not organized and operated exclusively for section 501(c)(3) purposes. You fail the organizational test of this section since your assets are not dedicated to an exempt purpose. You fail the operational test because you have not established that you are a church, and your credentials from [REDACTED] do not entitle you to this classification. You are required to file Federal income tax returns on Form 1120.

You have the right to appeal our determination if you believe it is incorrect. To appeal, please refer to the enclosed Publication 892.

In accordance with section 5104(a) of the Code, we are notifying the appropriate state officials of this determination.

If you do not protest our determination within 90 days from the date of this letter, this determination will become final. If you do not appeal this determination in a timely manner, this will be considered by the Internal Revenue Service as a failure to take all reasonable steps to secure the ruling you requested. Under section 7428(b)(2) of the Code, your failure to take all reasonable steps to secure the ruling requested may be considered as a failure to exhaust the administrative remedies available to you within the Service and thus, may preclude the issuance of a declaratory judgment in this matter under the judicial proceedings of Section 7428.

Sincerely yours,

[REDACTED]  
District Director

Enclosure  
Pub 832

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